

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **200903078**
Release Date: 1/16/2009

Third Party Communication: None
Date of Communication: Not Applicable
Person To Contact:

Index Number: 460.02-01

, ID No.
Telephone Number:

Refer Reply To:
CC:ITA:B05
PLR-137193-08
Date:
October 08, 2008

Taxpayer:

Year A:

Year B:

Dear _____ :

This ruling responds to a request for the Commissioner's consent to revoke an election. The representations supporting this request are summarized below.

The taxpayers are shareholders in an S corporation, a pass-through entity, and file their federal income tax return on a calendar year basis.

The S corporation enters into long-term contracts and accounts for them using the percentage-of-completion method (PCM). The taxpayers elected under § 1.460-6(d)(4)(ii)(B) to use the simplified marginal impact method ("SMIM") to compute the amount of look-back interest with respect to their share of long-term contract income and expense reported by the pass-through entity. The election was effective with the S election of the corporation on July 1, in Year A. If consent is granted by the Commissioner to revoke the election, taxpayers will begin computing look-back using the "actual method" provided in § 1.460-6(c)(3).

Based on the facts and information submitted and the representations made, the request to revoke the election under § 1.460-6(d)(4)(ii)(B) is granted. Thus, taxpayers may begin computing their look-back interest using the actual method, rather than the SMIM, beginning in Year B. However, should taxpayers desire to re-elect the SMIM within the next six years, they must obtain the Commissioner's prior consent.

A copy of this letter ruling should be attached to taxpayers' federal income tax return

for Year B.

No opinion is expressed concerning any other provisions of the Code or regulations that apply to the taxpayers.

This ruling is directed only to the taxpayers requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent. Enclosed is a copy of the letter ruling showing the deletions proposed to be made when it is disclosed under § 6110.

In accordance with the Power of Attorney on file with this office, we are sending a copy of this letter ruling to your authorized representative.

Sincerely yours,

John M. Aramburu
Senior Counsel, Branch 5
(Income Tax & Accounting)
Office of Chief Counsel

cc: